

## **FINAL MEETING SUMMARY**

### **HANFORD ADVISORY BOARD BUDGETS AND CONTRACTS COMMITTEE MEETING October 11, 2005 Richland, WA**

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*This is only a summary of issues and actions in this meeting. It may not represent the fullness of ideas discussed or opinions given, and should not be used as a substitute for actual public involvement or public comment on any particular topic unless specifically identified as such.*

#### **Welcome and Introductions**

Gerry Pollet, Chair of the Budgets and Contracts Committee (BCC), welcomed committee members and introductions were made. Harold Heacock provided comments on the September meeting summary. The committee adopted the summary incorporating Harold's proposed changes.

#### **Hanford Contracting and Government Accountability Office (GAO) Recommendations**

Harold provided an overview of the presentation he gave on Government Accountability Office (GAO) recommendations on Hanford contracting during the September BCC meeting. He explained there have been four GAO reports issued over last three years looking specifically at Department of Energy (DOE) contracting practices. The reports addressed:

- 1) The increasing cost of the vitrification plant and DOE's implementation of management and contracting reforms (GAO-04-611);
- 2) DOE system-wide contractor problems (i.e., DOE has instituted a competitive contract awarding system, but they do not have a system to measure contract progress and performance) (GAO-05-123);
- 3) Results of the accelerated cleanup plan and the likelihood DOE will not achieve a \$50 billion cost savings from implementing the plan, as claimed (GAO 05-764); and,
- 4) Cost and schedule delays due to the lack of a comprehensive strategy to consolidate, store, and eventually dispose of excess plutonium. (GAO-05-665).

Energy Secretary Sam Bodman recently issued a letter stating that all DOE project managers need to complete a training program on principles of project management. Harold said although the definition of a “project manager” was still unclear, mandating the type of training is a step in the right direction. He believes the primary issue regarding contract work at Hanford is planning, and there are many issues, such as plutonium contamination, that are not currently covered by a plan.

Dick Smith added that there is a report from the National Academy of Sciences dealing with contracting issues, which should be considered in the review of reports on DOE contracting.

### **Committee Discussion**

Gerry discussed the genesis and development of draft language for advice on major DOE contracts at Hanford. He explained that key contracting issues were identified based on notes, meeting summaries, and presentations. The committee considered the draft advice language, and several changes were proposed and discussed.

- Harold said it is important to develop a project plan that validates a project before project work begins. He said work on plutonium at Hanford is a good example, where DOE initially made a lot of assumptions to guide work, and those assumptions turned out to be incorrect. He believes Board advice should state the need to have an earned value contract system in place.
- Gerry stated that developing independently validated costs and schedules to guide project work establishes a progress measurement system, which serves to compare earned value with performance.
- Dick Smith said one of the major problems with several past projects is that DOE has started projects without first developing a sound definition of the project.
- Todd Martin said he does not have a problem adding a statement into the advice that suggests DOE should implement a project management performance system to evaluate project work. He indicated the Board is addressing earned value contracts in the advice by advising DOE to implement DOE order number 413.3, which has not been implemented to date.
- Jeff Luke commented that he believes the Hanford Advisory Board (Board) wants DOE to implement and adhere to order 413.3.
- Susan Leckband indicated that Secretary Bodman’s letter sent to DOE field offices on August 10, 2005 specifies adherence to order 413.3, but does not establish a specific deadline for compliance, which she feels makes the order voluntary. In order to encourage compliance with order 413.3, she suggested advice might include an additional letter or notice be sent out to the field offices stipulating a date of compliance.
- Jerry Peltier expressed concern with advising adherence to order 413.3. He does not see much value in the order, which he believes is a “pie-in-the-sky” requirement since it discusses some project management expectations, but does not contain detailed

support information. He feels the order allows for a lot of flexibility, so advising adherence to the order is not really accomplishing anything. Instead, he suggested people should refer to the guidance documents that support order 413.3, which include the detail and substance of how to do a project. He commented that the problem might be an awareness issue, since it seems no one knows about the guidance documents.

- Melinda Brown, Washington State Department of Ecology (Ecology), indicated that the GAO stated that DOE only implemented the contracting portion of order 413.3, but has yet to implement the project management portion. She suggested the committee look at the GAO evaluation of order 413.3.
- Jeff commented that issues concerning the design-build approach to project planning are of fundamental concern. He indicated the draft advice does not address these issues specifically, which is good in his opinion. In conversations with project managers, he has been told that the design-build approach can be good and bad. He commented that the major problem with the design-build approach is its impact on project schedule, which is evident with several projects at Hanford. However, he said there are also some benefits to design-build. He suggested advice could address these issues with reference to the importance of implementing “schedule incentives.” Unless someone can clarify the issues concerning the design-build approach, he would like to see the discussion of the design-build approach be removed from the advice.
- In response to Jeff’s concerns about design-build contracting, Harold explained that simple sequential design-build contracts are fairly clear-cut. The problem is with design-build contracts where the technology necessary to complete the work has not been defined. This is especially a problem with contracts where DOE has a milestone to meet, and often end up having to go with concurrent technology to attempt to meet milestone deadlines. He believes advice ought to say DOE needs to more clearly define the scope of the project before initiating the contracting process.
- Jerry agreed with Harold’s explanation that simple sequential design-build contracts are clear. He reiterated that the problem is with project phases, where the second and third phases are unclear or undefined, especially regarding technology. He emphasized his belief that it is risky to engage in such design-build projects.
- There was general committee agreement that the explanation of projects facing technological challenges in the advice needs to be clarified.
- Todd pointed out that part of order 413.3 recognizes the risk of projects that are not well defined. The committee recognized the importance of capturing this information in the advice.
- Jerry said the mode of operating in the DOE system is to hire a group manager to manage contracts, so there is no need for contractors to have additional project managers for oversight purposes. He believes DOE should function in the project oversight role, and should not have to have a project manager on-site, which the contractor should provide.

- Gerry commented that another fundamental problem is that DOE is engaging in more projects and broadening the scope of those projects, but the number of contract management personnel remains the same or decreases.
- Susan disagreed with language advising DOE to hire more people for contract management. She said such advice contradicts Secretary Bodman's letter, which suggests DOE contracting personnel need to become more skilled in project management.
- Gerry added that the GAO has suggested DOE's oversight is inadequate. Furthermore, Harold said the GAO indicated DOE needs more people for oversight.
- Jeff said some of the draft advice language expresses opinion and should be removed, in particular the discussion of bulk vitrification, which is a different issue. There was general committee agreement to delete language to bulk vitrification.
- Gerry distilled the committee's discussion into three principles:
  - project plans need validity and assurance;
  - progress measuring system needs to be implemented in which performance is measured against earned value; and,
  - projects need to be well defined in order to measure progress.
- Jerry said guidance documents referenced in order 413.3 are meant to be used by DOE managers, not contractors. Project managers are supposed to use guidance points relating to a given project. He said he is not sure if there are many DOE personnel that use order 4.13.3 for project management.
- Gerry reemphasized the need to advise DOE to provide training for its project managers in the first point of the advice.
- Rick expressed concerns about system-wide integration issues and the bargaining unit on site. Harold commented that the integration of the workforce is a separate issue, and the advice is addressing GAO reports on DOE contracting. However, the committee agreed Rick's point about integration and the bargaining unit was important to capture in the advice. Rick agreed to develop a specific bullet to address the issue for committee consideration.
- Rick said that there is significant latitude in many safety and health orders (similar to 413.3). To evaluate the quality of certain programs and contractors, he said such projects should do more than simply quantify safety records of who was hurt and why things happened, but should also include a review of specific programs that are implemented to prevent problems. Several committee members suggested that the Board would want to see advice address the need for a review of contractors' safety records in the contracting process. For this reason, the committee agreed it is important to advise DOE that contractor safety records must also be evaluated based on quantity as well as quality.
- Rick suggested advising DOE to re-baseline projects and request funding that removes claims of savings from accelerated cleanup. Harold said that part of the \$20 to \$50 billion savings was a result of shifting projects forward. To achieve a

validated and approved project work schedule, Rick said advice would stipulate the need to express accurate funding and scheduling needs for project completion.

- *Susan asked if there is a way for DOE to track contract transition costs?* Steve Chalk, Department of Energy-Richland Operations Office (DOE-RL), said costs were still coming in, so those numbers were not available to bring to the committee. There was a commitment to bring to the committee transition costs for the River Corridor Contract, and budget plans for transitions of the Fluor and CH2MHill Hanford Group contracts.
- *Jerry asked whether DOE gives contractors a fixed amount of money when a contract begins, or whether transition costs are captured separately?* Howard Gnann, Department of Energy – Office of River Protection (DOE-ORP), said the cost of transition is included in contract proposals. However, he indicated there is uncertainty about the time it will take for a given transition to take place, which can affect cost.
- Melinda Brown, Ecology, said the space for transition costs in the initial River Corridor Contract was left blank. In a conformed contract modification, DOE went back and put costs in for contract transition.
- *Jerry asked where the money for transition costs comes from?* Melinda said money for transition costs comes from specific project baseline (PBSs), which is not evident at the budget level.
- *Gerry said the BCC has requested to know what transition costs are and where they come from. He asked whether CHG has been bringing in workers from other sites, and have they been incurring moving costs for managers this year?* Howard said CHG has experienced some retirements and brought in some people from the Rocky Flats site. Costs associated with moving and paying them at Hanford come out of the Hanford budget.
- *Susan asked what is the total transition cost for the River Corridor Contract, and whether the money came from the fiscal year 2006 budget (FY06) or the fiscal year 2007 budget (FY07)?* Gerry said if the committee receives the answers to Susan's questions, the information would be incorporated into the advice.
- There was general committee agreement on the advice principles. Gerry agreed to re-work the draft advice language and circulate it to the committee.

### **Bulk Vitrification (Joint Meeting with Tank Waste Committee)**

The committee reviewed and discussed the advice principles agreed on at the September Board meeting. As of the Board meeting, the total estimated cost of bulk vitrification was \$154 million. Howard Gnann, DOE-ORP, indicated that the cost estimate remains between \$140 and \$160 million, including the S-109 tank.

### **Regulator Perspectives**

- Melinda, Ecology, said Ecology is interested in seeing the results from tests of bulk vitrification and other technologies. She indicated the baseline remains LAW bulk vitrification. She said the Tri-Party Agreement (TPA) agencies have obtained useful data from the tests so far, and Ecology is still very convinced they would like to see more data.

### Committee Discussion

- *Dick asked how much has been spent to date on bulk vitrification?* Howard said a total of \$67 million has been spent through the end of September. Currently, DOE has limited work activities to focus on research and development activities.
- Susan commented that one of the main concerns from the recent Board meeting was that there were no criteria or “hold points” for deciding whether bulk vitrification technology meets the “as-good-as-glass” criteria. Howard said DOE needs four test boxes in order to write the cost analysis for bulk vitrification. DOE agreed to compare the cost of bulk vitrification with the low-activity waste (LAW) vitrification plant standard. Howard indicated that rather than establish a deadline for a report, which could result in the generation of a report that is not well-understood, DOE would rather extend issuing the report until the data is complete.
- Gerry said a technical report on bulk vitrification is necessary as a comparison with the LAW assessment, to decide whether to enter into negotiations with the State.
- Al Boldt expressed concern that Milestone M62-08 is in June of 2006, and according to information he has seen and heard, the report may be completed in a year or more. Howard said Jim Rispoli, DOE Assistant Secretary for Environmental Management, called Ecology to give notice from DOE that the likelihood of meeting the milestone deadline is not high. He reiterated the need for good technical data is more important than a report deadline, and DOE needs four boxes of processed waste before it is able to write an acceptable technical report.
- Howard stated that DOE has agreed to do the technical analysis focused on bulk vitrification and compare it to LAW vitrification standards. They will take another look at other alternative technologies and do an economic and business analysis. The report would be used to negotiate with Ecology in response to M62-11, to set milestones and standards.
- *Harold asked whether the cost estimate of bulk vitrification (roughly \$150 million) covers the processing of four boxes of waste, or a 400-day operating period?* Howard said the bulk vitrification estimate is for a 400-day operating period.
- *Harold asked how the cost of bulk vitrification (assuming standards are met) compares in unit cost to LAW vitrification?* Howard said it is not an accurate comparison, because the demonstration bulk vitrification plant is only allowed to operate as a research and development facility. If DOE built a full-scale bulk vitrification plant, the cost of operations would be similar to the operation of the LAW plant. He acknowledged several hard decisions need to be made. He said bulk vitrification allows DOE to begin removing waste from the tanks and initiate waste

disposal years ahead of when the LAW plant comes on line, so there is more to the decision than a simple gallon by dollar comparison.

- *Gerry said DOE is not going to have a LAW glass making facility until 2006. Is DOE going to be prepared to have a place to dispose of waste well ahead of 2011?* Howard said DOE is in the process of updating the schedule, and is still looking at increasing the capacity of the LAW facility.
- Howard said money spent on studies of facilities and technologies has not taken away from funds for the waste treatment plant (WTP). Funding for each project comes from two different coffers of money.
- Dirk expressed concern about repeating a BNFL experience. He said it would be helpful to have technical criteria to evaluate whether the bulk vitrification waste form is achieving standards or not, so the project can be discontinued if it is not. He said he would like to see a specific set of detailed criteria in advance for evaluation of the technology. Howard said DOE is operating with the “as-good-as-glass” standard, which looks at the entire waste package.
- *Susan asked whether Ecology is comfortable waiting until June of 2006 to obtain enough data to inform a technical report?* Melinda responded that Ecology still supports gathering more technical data from bulk vitrification test runs. She indicated she was not prepared to discuss specific timing issues.
- *Gerry believes Ecology is not looking at the management problem resulting from the impending lack of funding for cleanup activities in budgets over the next several years. He asked whether Ecology has criteria to decide when it is better to ensure the waste retrieval schedule is being met rather than spending another \$100 million on testing bulk vitrification technology?* Melinda said that Ecology already has criteria to make that decision.
- Al suggested to the committee that the Board should only issue advice addressing two points regarding bulk vitrification: 1) Bulk vitrification system performance (i.e., as-good-as-glass); and 2) Funding bulk vitrification does not impact the cost or schedule of the WTP.
- Al commented that it would be important to identify the cost and schedule of operating the entire bulk vitrification unit, not just the demonstration unit. He said it is important to recognize that the committee and the Board are not just debating the viability of the demonstration bulk vitrification plant with DOE, but are evaluating the entire mission. If the cost estimate of the bulk vitrification plant is over one billion dollars, then he said DOE could not honestly suggest that funding for bulk vitrification would not impact funding for the WTP. He suggested DOE could conduct an unofficial cost analysis by next June, to demonstrate what is known to date and demonstrate whether they have a good bias to move forward with the project. He would like to see the Board be proactive and ask for a cost estimate report of the demonstration facility and operation facility in June. He said M62-08 is supposed to present a family of supplemental technology options. Billie Mauss, DOE-ORP, said Ecology has said they will not negotiate a baseline until official reports have been issued. Howard added that the out-year budget request to Congress

included additional costs to build supplemental capacity and additional LAW capacity, and to start up the vitrification plant.

- Gerry indicated there are two main draft advice principles coming out of the committee's discussion: 1) The TPA agencies need to have "go" or "no go" decision criteria; and 2) A report should be produced for existing milestone M62-08. Howard cautioned the committee that, depending on the results, developing a report including a cost estimate and system evaluation of bulk vitrification could take resources away from work in the field.
- Rick Jansons, speaking as chair of the Tank Waste Committee (TWC), said he would like to see advice drafted and brought to the TWC meeting on Thursday.
- Based on the committee's discussion of bulk vitrification advice, Gerry noted that one key point in this advice, absent from previous advice, is that the Board would be advising Ecology as well. He said he wanted to make sure DOE and Ecology understand that the Board would likely not want a joint response to this advice, since they are advising the agencies separately. Todd reminded the committee that very few advice responses are joint responses, but suggested that perhaps the advice should explicitly state the Board's desire to receive separate responses. Howard said, typically the TPA agencies strive to agree upon the responses they provide on Board advice. Gerry said this advice would question Ecology about budget prioritizing. He commented that Ecology needs to tell the public what its criteria for evaluating bulk vitrification are, in order to demonstrate whether money should continue to be spent on this supplemental waste treatment technology or that the cost to fund these technologies is too high and may affect other TPA requirements.
- *Dirk asked if it is possible to get a copy of DOE's criteria for evaluating supplemental technologies?* Billie said she would have that information available for the TWC meeting on Thursday.
- The committee agreed that advice should be based on the following principles:
  - DOE and Ecology need to develop decision criteria to be applied this spring based on system performance "as-good-as-glass;"
  - Funding for demonstration bulk vitrification technology should not impact the cost or schedule of the WTP; and,
  - DOE needs to develop a report in June on the bulk vitrification cost estimate and system performance, in adherence with existing TPA milestones.
- Rick will draft advice language and circulate it to the BCC and TWC.

### **FY06 Appropriation**

Greg Jones, DOE-RL, discussed the status of the DOE-RL budgets for FY06 and FY07. (The committee had requested a briefing on any significant changes since last spring.) Currently DOE-RL is operating on a continuing resolution signed by the President, which goes through November 17. No significant changes are expected at RL.



For FY07, the President's budget is due to Congress on February 6. The DOE-RL 2007 submission (\$984 million) is higher than the President's budget for 2006. DOE-RL's budget request to the Department of Energy-Headquarters (DOE-HQ) was significantly higher than both the U.S. House of Representatives (House) and U.S. Senate's (Senate) mark-up budgets. DOE-RL must operate with the lower of the House or Senate mark-ups, or the 2005 budget. Coming into 2005, DOE-RL had \$77 million in carry-over. Going into 2006, DOE-RL had \$177 million in carry-over.

Howard Gnann, DOE-ORP, discussed the DOE-ORP budgets for 2006 and 2007. DOE-ORP is spending at the President's budget level. Since the President's budget was lower in the tank farms line item, DOE-ORP is not comfortable planning to spend more than the President's budget allocated for those activities. Carry-over in all DOE-ORP accounts amounted to \$200 million, and there are adequate funds in program accounts to continue with work.

### **Committee Discussion**

- Al said he heard that activities associated with the Plutonium Finishing Plant (PFP) are going to be severely impacted by shifts in funding. Greg acknowledged that funding has been shifted to other more timely projects.
- *Gerry asked if there have been any changes to the FY05 and FY06 budgets, compared to figures DOE shared with the committee last spring?* Greg said he was not prepared to talk about changes in the budgets, but that he could present that information at a future meeting with the appropriate data.
- Gerry said the 2006 K Basin closure project would require more funding than has been request in the budget. He asked that the Board and the committee be updated as more information on this issue becomes available.
- *Susan asked for clarification on which budget DOE must adhere to?* Greg said the House and Senate budgets for 2006 have been set. DOE-RL can spend at the Senate budget level, since it is the lower of the two, which also happens to be the President's budget. This budget does not detail funding at the PBS level.
- *Gerry asked what happens later in the year if DOE spends more in one PBS or control point during the continuing resolution?* Greg said that if DOE-RL spends at a rate of \$200 million per year, they have to cut that spending rate to meet the request in the final appropriation at the DOE-HQ level. Melinda reminded the committee that actual budget allocations come from DOE-HQ, which may or may not match what is outlined by either the Senate or House appropriations. Greg noted that things are different this year, and DOE now has control points that are managed at the site level, so monies cannot be shifted between sites. However, he said there are Congressional earmarks that will be required to be funded, and funding for those activities will have to come from monies at each particular site. He stated that he is unsure when the Congressional appropriation will be issued. When the appropriation is finalized, the committee would like to hear how the allocations will be used on site and what is different from prior budget plans reviewed by the committee.

- *Jerry asked if there has been any discussion about carrying funds for Hurricane Katrina over to the 2007 budgets?* Greg explained that macro issues, such as Hurricane Katrina, impact funding at a higher level than the field offices, so he is unsure.

### **Committee business**

- Rick will draft bulk vitrification advice for Thursday's TWC meeting.
- Draft contracting advice based on GAO reports concerning DOE contracting will be circulated in a week.
- The committee agreed to have a committee call on Tuesday, 10/18 at 10:30 a.m.
- The committee discussed other potential work items for future committee meetings.
  - Request for Proposal (RFP) for contracts (if it has been sent out)
  - Funding for "hotel costs" for maintaining structures and facilities that were supposed to be, but have not been, decommissioned and demolished.
  - The GAO-06-164T report follows up on the July GAO report concerning DOE's lack of a plutonium program. This report is available online.

### **Handouts**

- Memorandum for Heads of Departmental Elements, DOE Secretary Samuel W. Bodman, August 10, 2005.
- Draft advice on GAO reports addressing DOE contract management, October 11, 2005.
- Draft advice on Bulk Vitrification Demonstration Project, October 11, 2005.
- Low Activity Waste Supplemental Treatment Program: Status as of September 2005, DOE-ORP, September 2005.
- FY 2006 Briefing to Budget and Contracts Committee: Summary of FY 2006-2007 Budget Status, Greg Jones, DOE-RL, October 11, 2005.
- River Protection Project budget summary, Howard Gnann, DOE-ORP, October 11, 2005.

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### **Attendees**

#### **HAB Members and Alternates**

Allyn Boldt	Susan Leckband	Dick Smith
Dirk Dunning (phone)	Jeff Luke	Art Tackett
Harold Heacock	Todd Martin (phone)	Gene Van Liew
Linda Horst (phone)	Jerry Peltier	
Richard Jansons	Gerry Pollet	

#### **Others**

Steve Chalk, DOE-RL	Melinda Brown, Ecology	John Kristofzski, CHG
Greg Jones, DOE-RL		Cathy McCague, EnviroIssues
		Jason Mulvihill-Kuntz, EnviroIssues

Howard Gnann, DOE-ORP		Barb Wise, FH
Billie Mauss, DOE-ORP		Sharon Braswell, Nuvotec/ORP
Erik Olds, DOE-ORP		